

Henry's disappointment for our small businesses

By REBECCA MARSHALL

THE government's response to the Henry Review of Taxation has caused one of the Sunshine Coast's most respected financial minds to be worried for the future of Australia's economy.

Accounting North managing director Matt Richards joined the consensus in being underwhelmed by Sunday's announcement.

"I think the main disappointment from a small business perspective is that little has been done so far to actually improve the efficiency of the tax system and reduce the administrative burden on small business," he said.

"We can only hope that in the coming budget and over the next five to 10 years that the spirit of the report is largely adopted with the view of achieving these benefits for small business.

"The other concern is that some of these policies are dependent on the resources rent/tax being implemented. And without control of the Senate, the Labor Government may be forced into some horse trading to get the entire package over the line.

"The experience with GST is that this usually creates a more complex and harder to manage system in which small business ultimately pays the price through increased costs in administering."

He said four key points would have the most impact on small business, starting with the **superannuation guarantee** lifting to 12% from 9% over six years, from 2013.

"The problems with the government plan (as opposed to the Henry recommendation) is that at face value, this is a direct cost to business, particularly small business," he said.

"One way of funding this may be that employers will keep a lid on wage rises to offset the extra cost of super, so ultimately the employee will be no better off.

"In its report, the government has noted the long range phased timeline will allow '...employers to take the increased SG contribution into account when negotiating future wage settlements'."

Company tax will also be re-



DETAILS: Accounting North managing director Matt Richards examines the impact of the Henry Review on the small business sector.

PHOTO: CHRIS MCCORMACK/156782

duced from 30% to 28%, offered as a sweetener to help fund the increased super contribution. But not everyone will benefit.

"The well documented flaw in that is that for a large number of small businesses that are conducted by sole traders, partnerships or trusts, there is no benefit from a reduced company tax rate to offset their higher superannuation costs – so those employers are likely to look at other areas (namely real wages) to offset higher superannuation contributions.

"For small businesses that operate through a company structure, although the reduced company tax rate is a small bonus to them in the short term, for closely held companies (ie family owned) the profits are normally distributed

through to the business owners (ie mum and dad) and taxed at marginal rates, and the reduced company tax rate is a temporary saving rather than a permanent saving as they ultimately get taxed on the individual marginal tax rates."

Another sweetener Mr Richards does think will benefit business is the **tax deduction on assets up to \$5000**.

And the fourth point is **concessional contributions for over 50s** to stay at \$50,000 past 2012 (if super fund balance is under \$500,000).

"This is a significant benefit to many small business owners who look to top up their superannuation balances close to retirement in a tax effective manner," he said.

"In many cases it is at about this

time that small business owners are getting ready to sell or retire and for the first time may be in a position from a cash-flow point of view to be able to contribute large amounts to super. For many, during the formative years of their business, cash flow is tied up funding working capital, loan repayments and buying equipment etc. So this will be appreciated.

"Administratively though it is another instance of the government creating a two tier regime, similar to now where businesses over \$2m turnover have a significant number of different tax rules to those under \$2m turnover.

"This sort of set up works well politically but only increases the administrative burden, and costs,

to small business."

Mr Richards also questioned why the Federal Government would make a short-term grab at mining companies' profits with no eye on the future.

"Minerals and resources are one of the main assets this country has and the real risk is that we are plundering these resources in the short term and eventually they will have run out and we won't have put anything aside for the country," he said.

"It also makes it more difficult for our mining companies to compete on a global stage with current projects and it may potentially drive future investment offshore. But they are an easy target with very little negatives from a political perspective."



Outline Indicative Only



Freehold Cafe/Restaurant

Unit 1, 34 Minchinton Street, Caloundra

- Mortgagee exercising power of sale
- Fully equipped café/restaurant – currently not operating
- Situated adjacent to main entrance of Belaire Place
- 77m² freehold + 114m²* exclusive use area including outdoor dining, balcony, 2 carparks & storeroom
- Commercial kitchen and restaurant fit out included
- Located in Caloundra CBD; 100m* to Bulcock Beach

Auction

Wednesday 19 May 11am

Venue In Rooms, The Events Centre,

20 Minchinton Street Caloundra

Andrew Garland 0403 851 777

andrew.garland@raywhite.com

*approx

Caloundra

Ray White Commercial